

**ENERGY SERVICES  
ADMINISTRATION**

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January 7, 2005

Mr. Stephen J. Wright, Administrator  
Bonneville Power Administration  
P.O. Box 3621  
Portland, OR 97208-3621

Re: Energy Conservation Program Restructuring

Dear Mr. Wright:

The purpose of this letter is to express the City of Richland's concern and mounting frustration with the direction BPA appears to be taking the region's energy conservation programs. The City of Richland is actively involved in the workgroup process and, quite understandably, keenly interested in potential impacts the process may have on its energy conservation program and customers. Impediments embodied in BPA's proposed Conservation and Renewable Discount program include:

- (1) A significant reduction in available measures;
- (2) Little clarity as to what those measures are;
- (3) An apparent increase in realizable energy savings for certain "cost-effective" measures;
- (4) Inability of BPA or the Council to give us a baseline for all currently employed measures – "cost-effective" or not; and,
- (5) A significant shift from BPA to utilities of conservation programs costs.

Historically, BPA's Conservation and Renewable Discount (C&RD) program has effectively stimulated conservation. Converting C&RD to an "acquisitions" program will reportedly prompt BPA to eliminate up to two-thirds of previously qualifying measures, many of which enjoy considerable utility and end-user support. BPA's professed interest in participating only in future "cost-effective" conservation represents an abrupt and questionable departure from a successful approach.

Despite ample opportunity throughout the workgroup process, BPA still has not supplied its customers with a definitive list of qualifying cost-effective measures. Measures highly popular with our customers, such as windows and certain heat pump conversions, have been eliminated as available options. By all indications, BPA appears to be pinning its hopes on light bulbs. The truth is that we have found that our customers do not like compact fluorescent lights (CFLs). CFLs do not work well at higher lumens, do not last seven years as advertised, and are prone to fail. We have tried promoting CFLs and met

with customer frustration and disappointment. We are amazed that BPA is placing seventy-five percent (75%) of its retrofit estimates on CFLs.

By all indications BPA's customer utilities are being asked to increase energy conservation savings by 27 percent, as determined by BPA's increase in targeted savings from 44 amW to 56 amW under the Council's Regional Power Plan. This is a substantial and honestly unrealistic goal to impose on retail utilities, particularly considering BPA's proposed dramatic reductions in both funding and qualifying measures. BPA has provided no credible explanation how it will succeed under these proposed limitations.

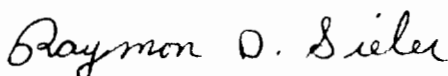
Contributing to our heightened frustration is the disturbing realization, that the amount of increased "cost-effective" conservation is apparently unknown to both BPA and the Council. We have asked Council's Tom Eckman and BPA employees Ken Keating and John Prych how much current conservation is cost-effective. Tom said, "The Council hasn't had the time to figure this out." Ken Keating also said BPA didn't know. John Prych said, "It doesn't matter how much current conservation is cost-effective. The Council has looked to the future and it's out there." We sincerely doubt – and hope to the contrary – that BPA thinks this critical information is irrelevant.

According to the Regional Power Council, failure to achieve regional conservation targets carries a price tag of \$2 billion to \$2.5 billion. Given this level of exposure, why is BPA unable or unwilling to determine and share with its customers key information about cost-effective conservation measures. There appears to be a profound disconnect between the Council's targets and BPA's apparent path to achieve them. When expected to achieve significantly greater energy savings from a drastically reduced pool of eligible "cost-effective" measures, it seems only logical to identify them. Without this information, effective program planning becomes very difficult.

Finally, the Council suggests, that utilities will face up to a one-third increase in conservation costs to achieve Council goals. If the consequences of failure to the region are so dire, why isn't BPA assuming more of the cost? Already faced with substantially higher operating costs – largely attributable to BPA, utilities are in no position to bear additional costs. We strongly suggest BPA reduce its expenditures in order to avoid burdening its customers.

In summary, the City of Richland strongly encourages BPA to reexamine the direction it is taking regional energy conservation. The existing C&RD program is successful, broadly supported by participating customers, and should be retained essentially in its current form. Replacing it with an acquisition program promises to be a major mistake.

Sincerely,



Ray Sieler, Energy Services Director

cc: Mike Weedall, BPA  
Jerry Leone, PPC  
John Saven, NRU